

ANNUAL BUDGET

THE BIG 5 FALSE BAY MUNICIPALITY



2014/15 TO 2016/17

**MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

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Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CPI	Consumer Price Index	MMC	Member of Mayoral Committee
CRRF	Capital Replacement Reserve Fund	MPRA	Municipal Properties Rates Act
DBSA	Development Bank of South Africa	MSA	Municipal Systems Act
DoRA	Division of Revenue Act	MTEF	Medium-term Expenditure Framework
EE	Employment Equity	MTREF	Medium-term Revenue and Expenditure Framework
FBS	Free basic services	NGO	Non-Governmental organisations
GAMAP	Generally Accepted Municipal Accounting Practice	NKPIs	National Key Performance Indicators
GDP	Gross domestic product	OHS	Occupational Health and Safety
GFS	Government Financial Statistics	OP	Operational Plan
GRAP	General Recognised Accounting Practice	PBO	Public Benefit Organisations
HR	Human Resources	PHC	Provincial Health Care
HSRC	Human Science Research Council	PMS	Performance Management System
IDP	Integrated Development Strategy	PPE	Property Plant and Equipment
IT	Information Technology	PPP	Public Private Partnership
km	kilometre	PTIS	Public Transport Infrastructure System
KPA	Key Performance Area	RG	Restructuring Grant
KPI	Key Performance Indicator	RSC	Regional Services Council
		SALGA	South African Local Government Association
		SAPS	South African Police Service
		SDBIP	Service Delivery Budget Implementation Plan
		SMME	Small Micro and Medium Enterprises

1.1 Mayor's Report

BUDGET SPEECH DELIVERED BY HER WORSHIP, THE MAYOR OF THE BIG 5 FALSE BAY, CLLR CC GUMEDE AT THE TABLING OF THE 2014/2015 MTEF BUDGET HELD IN THE COUNCIL CHAMBER ON 27 MARCH 2014

Fellow councilors; The Municipal Manager; The Chief Financial Officer; Directors; Officials; Sector ; Departments; Business Sector; NGO's & CBO's; Community; Media; Distinguished guests; Ladies and Gentlemen

INTRODUCTION

I must also thank God for giving me the strength to continue discharging my responsibilities. There comes a time in life when people look into each other's eyes and begin to know who you are. I am a type of person who believes in leadership, listening, understanding, respect and honour.

We are gathered here today, to table the 2014/15 Annual Budget in compliance with the requirements of the Municipal Finance Management Act, Act 56 of 2003.

The 2014/2015 budget was prepared under challenging circumstances. It took a lot of effort and creativity to balance the budget. As we are all aware, we are faced with tough economic scenarios locally, nationally and internationally.

I must mention that as a municipality we have to collectively give attention to the following challenges:

- ✓ Lack of effective coordination of services implementation
- ✓ Monitoring and evaluation system
- ✓ Political will and negative influence on activities of council.
- ✓ Lack of capacity and transfer of skills
- ✓ Continuous negative outcomes of the Auditors General report
- ✓ Poor public relations
- ✓ Financial management & Asset Management

Our challenges are not limited to the above, but these are key one's we need to tackle with no strength spared.

We are optimistic, honourable members and have improvised solutions to survive the economic hardships in order to continue with the provision of quality services to our communities. It is essential for the municipality to effect systems that will focus on

- ✓ Ensuring implementation of fraud and corruption policies
- ✓ Vigorous implementation of debt collection policy and continuous monitoring thereof,

- ✓ Efficient credit control,
- ✓ Implementation of revised supply chain management policy to address the loopholes raised by the Auditor General
- ✓ ensuring proper billing of our properties
- ✓ cleaning of data used to bill for municipal services
- ✓ ensure the correction of inaccurate billing,
- ✓ ensure proper contract management
- ✓ concerted effort in ensuring speedy payments of service providers especially SMME's

All of these coupled with financial discipline are the pillars that are required for the municipality's financial viability and sustainability.

We are an aspirant municipality, and as such we need to sustain growth and minimize the risk of undermining our success as a result of under-investment in the much needed infrastructure.

The 2014/2015 MTREF Budget, Honourable Members, maps out the road to the successful implementation of projects and programmes through sound financial management which is crucial for ensuring the financial sustainability of the municipality. We are obliged to deliver services to our people on a financially sustainable basis, and this, we can only achieve by developing and implementing intervention strategies that enhance continuous improvement in governance and accountability.

For this coming financial year, tough decisions will be taken to ensure that our actions are geared towards improving the lives of many of our poor people. The task ahead, is:

- ✓ Work with increased determination to tackle the challenges facing our municipality,
- ✓ implement projects and programmes that are budgeted for and linked to our IDP,
- ✓ disengage from activities that are not our core business,
- ✓ monitor and evaluate service delivery progress,
- ✓ measure and evaluate performance, and
- ✓ Make sure that service delivery is prioritized and not compromised.

DEVELOPMENTAL OBJECTIVES FOR THE POLITICAL TERM

Our developmental objectives for the current political term are geared towards the creation of conducive working environment – leveling the playing fields so that, as a Municipal Council, we achieve the following:

- ✓ Infrastructure provision, maintenance and upgrade.
- ✓ Clean audit by 2015.
- ✓ Support and strengthen local economic development, fight poverty and underdevelopment.
- ✓ Streamlining youth programmes and skills development in order to fight crime at all levels.
- ✓ Empower and capacitate ward committees and other structures to ensure their optimum functionality.
- ✓ Build viable, integrated and sustainable human settlements.
- ✓ Enhance public participation and public relations.
- ✓ Strengthen decentralization of services to all areas within the municipality.
- ✓ Strengthen partnership and participation with other government spheres, private sector and all stakeholders in developing and improving the service delivery.

The general outcry from our communities with regard to our budget is the following.

- ✓ Is our budget addressing properly the needs of our previously disadvantaged communities?
- ✓ Are all women given enough opportunities or will continue to be overlooked due to gender prejudice.

Let us not wait for our communities to complain and react later.

We must open our doors of equal access to our communities and win their trust and hope.

Our budget must invite Private Sector to join us in investing in the necessary infrastructure provision to meet the basic needs and economic growth of our Municipality. I must remind everybody in this house, that as political parties, we represent different constituencies; each one is entitled as any other to enjoy the benefits that will derive from the better society we seek to build with this year's budget.

Let us accept the necessity for change, activate transformation of our society, and avoid the use of the levers of power in our hands to block the process of change.

We cannot ignore the controversy of some of the contracts we have signed for provision of services, of which some duplicate and continue to have an effect on our budget to date and will still continue to be a huge burden until 2015.

We must not allow the phenomenon of uncertainty to be imposed on our thinking as a scare crow that frightens us away from the process of changing the way things were done. Change must come and change must be now.

THE 2012/2013 BUDGET

For the 2014/2015 MTRF, a considerate effort has been put to align our strategic objectives with the budget and the IDP.

The 2014/2015 budget amounts to R63.3 million which is an increase of 30% compared to the previous adjustment budget. The budget comprises of R11,6 Million Capital and R51.7 million Operating components.

This is a cash backed budget and it means putting strict measures in place in order to maximize our revenue source. It is essential for this municipality to enhance mechanisms that assist us to compel our people to do the right thing - **pay for property tax and municipal services**.

TARIFFS

It is envisaged that the proposed tariff increases will allow the municipality to generate sufficient revenue in order to sustain the municipality's operations for the 2014/2015 MTRF, taking into account the economic situation and affordability levels of communities of the Municipality.

Therefore the tariffs for 2014/2015 are proposed as follows:

1. Refuse 6.4%
2. Property rates 6.4%

Other tariffs vary and can be perused in the Budget Tariff and Policy Document.

OPERATING EXPENDITURE

An amount of R51.7 million for 2014/2015 has been budgeted for operating expenditure of which salaries, allowances and benefits equals to R16.7 million or 32% of the total expenditure budget.

CAPITAL EXPENDITURE

The capital expenditure budget amounts to R11,6 million of which is almost fully funded by the Municipal Infrastructure Grant.

POSITIVE HIGHLIGHTS

There are many big and important challenges facing The Big 5 False Bay as a fast growing municipality. Top of my agenda is, but not limited to, financial stability, housing, jobs, investment and a fair deal for our municipality's workforce. The following are the highlights of what we have been able to achieve and

reflects that we may not be where we want to be, but we are not where we were before. To mention but a few:

- **FINANCIAL STABILITY**

It is now almost three years since we took office, and I wish to report that, yes there are financial constraints but these are not equal to bankruptcy.

The problems that we encounter are manageable and are being conquered. The financial crisis has been stabilized and is currently under control. Systematic measures are now in place to ensure that the municipality remains a going-concern and the performance is continuously monitored and evaluated. The recovery plans are in place and also form part of our policies.

The collection rate improved, though not as high as expected following the interventions that were put in place on businesses that were not paying for services.

- **COMMUNITY PARTICIPATION**

Consultation with interested and potentially affected communities is an essential part of the municipality. We have embarked on engaging stakeholders in a transparent and open process, in order to can better understand what is valued within communities and better inform our decision making.

The purpose of these consultations has been to provide an opportunity for stakeholders to offer input, which can assists Council with making decisions regarding the delivery of services. This Council regards it important for anyone who is interested in or may be affected by service delivery to have the opportunity to participate in and provide input so that concerns can be identified, considered and appropriately addressed; before final decisions are made.

Conclusion

Having fully taken up my responsibilities as the Mayor, I can state without any fear of contradiction, that as the servant of the people of Big 5 False Bay, the journey that is aimed at bringing about the much needed social, economic and political developments in our city continues. I am overwhelmed by the positive contributions received from the community during our interactions and budget consultation meetings though the attendance to some of the budget meetings was not satisfying. I therefore, once more, pledge my competence and knowledge to this municipality, and will strive to implement and develop the ideal freedom to ensure that adequate services are delivered to our people irrespective of their economic, political or social status.

My appreciation goes to all the officials who participated in the budget process and the compilation of the budget. To fellow councilors – let us not shy away from our oversight role so that each one of us, who is bestowed with a financial responsibility in this institution, is prevented from “taking chances” – spending money irregularly and on nice to haves but direct funds where they are needed most – to the provision of quality services.

Thank You

1.2 Council Resolutions

On 28 May 2014 the Council of Big 5 False Bay Local Municipality met in the Council Chambers of Municipality to consider the annual budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

1. The Council of The Big 5 False Bay Municipality, acting in terms of section 16 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard Classification)

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)

1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Budgeted Financial Position;

1.2.2. Budgeted Cash Flows;

1.2.3. Cash backed reserves and accumulated surplus reconciliation;

1.2.4. Asset management; and

1.2.5. Basic service delivery measurement.

2. The Council of The Big 5 False Bay Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:

2.1. The tariffs for property rates,

2.2. The tariffs for solid waste services

3. The Council of The Big 5 False Bay Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014 the tariffs for other services, as set out in the tariffs Schedule.

4. To give proper effect to the municipality's annual budget, the Council of The Big 5 False Bay Municipality approves:

4.1. That cash backing is implemented through Land Sale

4.2. That the Municipal Manager be authorized to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and "nice to have" items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 70 and 72 were used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality,
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

Table 1: Consolidated Overview of the 2014/15 MTREF

R thousand	Adjustments Budget 2013/14 R'000	Budget Year 2014/15 R'000	Budget Year + 1 2015/16 R'000	Budget Year + 2 2016/17 R'000
Total Operating Revenue	37 925	52 185	59 785	62 526
Total Operating Expenditure	37 825	51 635	57 242	61 384
(Surplus)/ deficit for the year	100	551	2 542	1 141
Total Capital Expenditure	10 925	11 556	11 486	11 798

Total operating revenue has grown by 38 per cent or R14.2 million for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue will increase by 15 and 5 per cent respectively.

Total operating expenditure for the 2014/15 financial year has been appropriated at R51.8 million and translates into a budgeted surplus of R551 thousand. When compared to the 2013/14 Adjustments Budget, operational expenditure has grown by 37 per cent in the 2014/15 budget and by 11 and 7 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R2.5 million and then stabilize at R1.1 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R11,556 million for 2014/15 is 6 per cent more when compared to the 2013/14 Adjustment Budget. The capital programme decreases to R11,486 million in the 2015/16 financial year and then increases to R11,798 million in 2016/17 financial year.

1.4 Operating Revenue Framework

For Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;

- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 2: Summary of revenue classified by main revenue source

KZN273 The Big 5 False Bay - Table A1 Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Financial Performance										
Property rates	4 649	6 165	7 372	6 829	9 159	9 159	9 159	9 745	10 291	10 867
Service charges	1 237	1 020	1 078	1 303	1 472	1 472	1 472	1 566	1 653	1 746
Investment revenue	192	178	178	200	100	100	100	–	–	–
Transfers recognised - operational	21 202	29 746	30 163	25 645	20 645	20 645	20 645	33 874	42 521	44 254
Other own revenue	1 030	732	307	8 800	6 550	6 550	6 550	7 001	5 320	5 659
Total Revenue (excluding capital transfers and contributions)	28 310	37 841	39 097	42 778	37 925	37 925	37 925	52 185	59 785	62 526

Table 3 Percentage growth in revenue by main revenue source

KZN273 The Big 5 False Bay - Table A1 Budget Summary

Description	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget		Budget Year 2014/15		Budget Year +1 2015/16		Budget Year +2 2016/17	
Financial Performance								
Property rates	9 159	24%	9 745	19%	10 291	17%	10 867	17%
Service charges	1 472	4%	1 566	3%	1 653	3%	1 746	3%
Investment revenue	100	0%	–	0%	–	0%	–	0%
Transfers recognised - operational	20 645	54%	33 874	65%	42 521	71%	44 254	71%
Other own revenue	6 550	17%	7 001	13%	5 320	9%	5 659	9%
Total Revenue (excluding capital transfers and contributions)	37 925		52 185		59 785		62 526	

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from government grants forms a significant percentage of the revenue basket for the Municipality. In the 2013/14 financial year, revenue from rates totaled R9, 149 million or 24 per cent. This increases to R9,745 million, R10.2 million and R10.8 million in the respective financial years of the MTREF.

Property rates is the second largest revenue source totaling 19 per cent or R9,745 million rand and increases to R10.2 million by 2015/16. The third largest sources is "other revenue" which consists of various items such as income received from sale of land, building plan fees, advertisement fees and other minor revenues. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R33,874 million in the 2014/15 financial year and steadily increases to R42,521 million by 2015/16.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4: Operating Transfers and Grants receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		11 697	–	–	24 815	19 815	19 815	33 219	41 827	43 523
Local Government Equitable Share		9 747			17 275	17 275	17 275	22 485	30 910	32 405
Finance Management		1 200			1 650	1 650	1 650	1 800	1 950	2 100
Municipal Systems Improvement		750			890	890	890	934	967	1 018
Integrated National Electrification Programme					5 000	–	–	7 000	8 000	8 000
EPWP Incentive								1 000	–	–
Other transfers/grants [insert description]										
Provincial Government:		2 123	–	–	830	830	830	655	694	731
		1 575								
Art & Culture & Cogta		548			830	830	830	655	694	731
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	13 820	–	–	25 645	20 645	20 645	33 874	42 521	44 254

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R45 000 reduction on the market value of a property will be granted in terms of the municipality own Property Rates Policy;
- 30 per cent rebate can be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate- able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/15 financial year based on a 6.4 per cent increase from 1 July 2014 is contained below:

Table 5 Comparison of proposed rates to levied for the 2014/15 financial year

Municipal Property Rates tariffs (Rate Randage)			
CATEGORY	2013/14	% Increase	2014/14
Agriculture	0.00329215	6.4%	0.00349634
Commercial (Business Property)	0.01460680	6.4%	0.01554164
Public Service Infrastructure	0.00329215	6.4%	0.00349634
Residential	0.01314412	6.4%	0.01398534
Public Benefit Organization	0.01700007	6.4%	0.01808807

1.4.2 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus. It is widely accepted that the rendering of this service should at least break even, which is currently the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributor to this surplus is that this service is fully outsourced.

A 6.4 (six) per cent increase in the waste removal tariff is proposed from 1 July 2014. Higher increases will not be viable in 2014/15 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2014:

Table 6 Comparison between current waste removal fees and increases (Incl. VAT)

Category	2013/14	% Increase	2014/15
Solid waste residential town	R 147.30	6.4%	R 156.73
solid waste commercial	R 1 024.70	6.4%	R 1 090.28
Solid waste residential location	R 89.70	6.4%	R 95.44
Solid waste agriculture per trip	R 320.20	6.4%	R 340.69

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherences to the principle of no project plan *no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Traffic Fines

It is important to note that the municipality has budget R4 million in traffic fines. This estimation is informed through engagement with the service provider and plans that will be implemented to see this amount realised or even more.

Table 7 Summary of operating expenditure by standard classification item

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type											
Employee related costs	2	6 735	9 190	9 814	14 333	13 799	13 799	13 799	16 715	17 784	18 923
Remuneration of councillors		1 373	1 430	1 416	1 646	1 658	1 658	1 658	1 760	1 873	1 992
Debt impairment	3		102	2 249	3 500	3 500	3 500	3 500	2 000	1 800	1 800
Depreciation & asset impairment	2	1 803	2 418	3 231	3 000	3 000	3 000	3 000	2 000	4 000	4 500
Finance charges		103	110	405	300	111	111	111	150	150	100
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8	170	271		1 350	1 050	1 050	1 050	3 700	5 000	6 000
Contracted services		790	808	903	11 272	6 542	6 542	6 542	14 991	15 690	16 459
Transfers and grants		2 831	4 763	4 375	–	–	–	–	180	198	218
Other expenditure	4, 5	9 845	9 479	11 245	7 115	8 165	8 165	8 165	10 139	10 747	11 392
Loss on disposal of PPE											
Total Expenditure		23 651	28 569	33 637	42 516	37 825	37 825	37 825	51 635	57 242	61 384

The budgeted allocation for employee related costs for the 2014/15 financial year totals R16.7 million, which equals 32 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.8 per cent for the 2014/15 financial year. An annual increase of 6.4 per cent has been included in the two outer years of the MTREF. As part of the municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. When calculating the increase from the previous year (2013/14) the increase is 24 per cent. This increase is contrary to the above statement of the increase of 6.8 per cent due to vacant positions budgeted for which were not budgeted in the previous year, one of them being the position of Director technical services.

The cost associated with the remuneration of councillors is determined by the Minister of Co- operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 73 per cent and the Debt Write-off Policy of the Municipality. For the 2014/15 financial year this amount equates to R2 million and decreases to R1.8 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R2 million for the 2014/15 financial and equates to 4 per cent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on finance leases (cost of capital). Finance charges make up 0.3 per cent (R150 thousand) of operating expenditure excluding annual redemption for 2014/15.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure & other community facilities. For 2014/15 the appropriation against this group of expenditure has grown to 7 per cent (R3.7 million) and continues to grow to R5,000 and R6,000 in the two outer years

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2014/15 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2014/15 financial year, this group of expenditure totals R14,991 million.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 8 Operational repairs and maintenance

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Repairs and Maintenance	8										
Employee related costs									300	350	400
Other materials					1 350	1 350	1 350	1 350	1 000	2 000	2 000
Contracted Services									1 000	1 000	1 000
Other Expenditure									1 400	1 650	2 600
Total Repairs and Maintenance Expenditure	9	–	–	–	1 350	1 350	1 350	1 350	3 700	5 000	6 000

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by almost 200 per cent in the 2014/15 financial year.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 9: Repairs and maintenance per asset class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
EXPENDITURE OTHER ITEMS											
Depreciation & asset impairment	3	1 803	2 418	3 231	3 000	3 000	3 000	2 000	4 000	4 500	
Repairs and Maintenance by Asset Class		—	—	—	1 350	1 350	1 350	3 700	5 000	6 000	
Infrastructure - Road transport		—	—	—	300	300	300	600	800	1 000	
Infrastructure - Electricity		—	—	—	150	150	150	500	900	1 000	
Infrastructure - Water		—	—	—	—	—	—	—	—	—	
Infrastructure - Sanitation		—	—	—	—	—	—	—	—	—	
Infrastructure - Other		—	—	—	250	250	250	550	650	850	
Infrastructure		—	—	—	700	700	700	1 650	2 350	2 850	
Community	6, 7	—	—	—	300	300	300	650	850	1 170	
Heritage assets		—	—	—	—	—	—	—	—	—	
Investment properties		—	—	—	—	—	—	—	—	—	
Other assets		—	—	—	350	350	350	1 400	1 800	1 980	
TOTAL EXPENDITURE OTHER ITEMS		1 803	2 418	3 231	4 350	4 350	4 350	5 700	9 000	10 500	
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	42.1%	36.5%	40.0%	
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	243.1%	104.9%	104.9%	
R&M as a % of PPE		0.0%	0.0%	0.0%	1.3%	1.2%	1.2%	3.2%	4.0%	4.6%	
Renewal and R&M as a % of PPE		0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	7.0%	7.0%	8.0%	

For the 2014/15 financial year, 45 per cent or R1,650 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a small proportion of this allocation totalling R500 thousands, followed by road infrastructure at R600 thousands. Community assets has been allocated R650 thousands of total repairs and maintenance.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 10: 2013/14 Medium-term capital budget per vote

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Single-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	100	-	-
Vote 2 - Budget & Treasury Office		-	-	-	-	-	-	-	50	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	50	-	-
Vote 4 - Planning Services		7 343	15 384	-	10 925	10 925	10 925	10 925	11 256	11 486	11 798
Vote 5 - Community Services		-	-	-	-	-	-	-	100	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		7 343	15 384	-	10 925	10 925	10 925	10 925	11 556	11 486	11 798
Total Capital Expenditure - Vote		7 343	15 384	-	10 925	10 925	10 925	10 925	11 556	11 486	11 798

For 2014/15 an amount of R11,556 million has been appropriated for the development of infrastructure. In the outer years this amount totals R11,486 million, and R11,798 million, respectively for each of the financial years.

1.7 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page

KZN273 The Big 5 False Bay - Table A1 Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands										
Financial Performance										
Property rates	4 649	6 165	7 372	6 829	9 159	9 159	9 159	9 745	10 291	10 867
Service charges	1 237	1 020	1 078	1 303	1 472	1 472	1 472	1 566	1 653	1 746
Investment revenue	192	178	178	200	100	100	100	-	-	-
Transfers recognised - operational	21 202	29 746	30 163	25 645	20 645	20 645	20 645	33 874	42 521	44 254
Other own revenue	1 030	732	307	8 800	6 550	6 550	6 550	7 001	5 320	5 659
Total Revenue (excluding capital transfers and contributions)	28 310	37 841	39 097	42 778	37 925	37 925	37 925	52 185	59 785	62 526
Employee costs	6 735	9 190	9 814	14 333	13 799	13 799	13 799	16 715	17 784	18 923
Remuneration of councillors	1 373	1 430	1 416	1 646	1 658	1 658	1 658	1 760	1 873	1 992
Depreciation & asset impairment	1 803	2 418	3 231	3 000	3 000	3 000	3 000	2 000	4 000	4 500
Finance charges	103	110	405	300	111	111	111	150	150	100
Materials and bulk purchases	170	271	-	1 350	1 050	1 050	1 050	3 700	5 000	6 000
Transfers and grants	2 831	4 763	4 375	-	-	-	-	180	198	218
Other expenditure	10 635	10 389	14 397	21 887	18 207	18 207	18 207	27 130	28 237	29 651
Total Expenditure	23 651	28 569	33 637	42 516	37 825	37 825	37 825	51 635	57 242	61 384
Surplus/(Deficit)	4 659	9 272	5 460	262	100	100	100	551	2 542	1 141
Transfers recognised - capital	-	-	-	10 925	10 925	10 925	10 925	11 156	11 486	11 798
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	4 659	9 272	5 460	11 187	11 025	11 025	11 025	11 707	14 028	12 939
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	4 659	9 272	5 460	11 187	11 025	11 025	11 025	11 707	14 028	12 939
Capital expenditure & funds sources										
Capital expenditure	7 343	15 384	-	10 995	10 995	10 995	10 995	11 456	11 486	11 798
Transfers recognised - capital	7 343	15 384	-	10 925	10 925	10 925	10 925	11 156	11 486	11 798
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	400	-	-
Total sources of capital funds	7 343	15 384	-	10 925	10 925	10 925	10 925	11 556	11 486	11 798
Financial position										
Total current assets	6 794	9 930	2 323	9 370	9 951	9 951	9 951	8 678	12 871	16 114
Total non current assets	47 972	95 054	100 851	102 922	108 948	108 948	108 948	117 041	124 515	131 802
Total current liabilities	11 946	11 690	12 152	7 115	11 717	11 717	11 717	4 400	4 350	4 000
Total non current liabilities	-	-	4 788	2 283	4 788	4 788	4 788	4 850	4 300	4 400
Community wealth/Equity	42 819	93 294	86 234	102 895	102 394	102 394	102 394	116 469	128 736	139 516
Cash flows										
Net cash from (used) operating	6 752	10 003	12 243	8 418	11 113	11 113	11 113	9 884	18 587	14 997
Net cash from (used) investing	(8 890)	(8 308)	(10 767)	(6 795)	(9 703)	(9 703)	(9 703)	(9 256)	(11 486)	(11 798)
Net cash from (used) financing	(36)	(2 233)	(2 272)	-	(530)	(530)	(530)	(500)	(500)	(500)
Cash/cash equivalents at the year end	1 925	1 389	593	2 305	1 473	1 473	1 473	1 601	8 202	10 901
Cash backing/surplus reconciliation										
Cash and investments available	1 926	1 389	593	2 416	1 773	1 773	1 773	2 116	8 039	13 032
Application of cash and investments	4 630	3 034	10 227	(77)	2 958	2 958	2 958	(36)	516	2 634
Balance - surplus (shortfall)	(2 704)	(1 645)	(9 634)	2 493	(1 184)	(1 184)	(1 184)	2 152	7 523	10 398
Asset management										
Asset register summary (WDV)	47 972	95 054	100 851	102 922	108 948	108 948	117 041	117 041	124 515	131 802
Depreciation & asset impairment	1 803	2 418	3 231	3 000	3 000	3 000	2 000	2 000	4 000	4 500
Renewal of Existing Assets	-	-	-	-	-	-	-	4 862	4 194	4 719
Repairs and Maintenance	-	-	-	1 350	1 350	1 350	3 700	3 700	5 000	6 000
Free services										
Cost of Free Basic Services provided	110	122	-	148	148	148	148	148	148	148
Revenue cost of free services provided	738	777	-	860	860	860	860	860	860	860
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	0	0	-	0	0	0	0	0	0	0

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - Transfers recognised is reflected on the Financial Performance Budget;
 - Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2015/16, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

KZN273 The Big 5 False Bay - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		19 701	26 381	25 148	25 877	18 062	18 062	25 630	27 270	29 015
Executive and council		-	-	-	7 938	7 938	7 938	9 499	10 107	10 754
Budget and treasury office		19 701	26 381	25 148	14 705	6 890	6 890	11 717	12 467	13 265
Corporate services		-	-	-	3 235	3 235	3 235	4 413	4 696	4 996
<i>Community and public safety</i>		2 395	1 191	1 082	6 969	3 838	3 838	11 925	13 091	13 913
Community and social services		548	586	1 053	3 369	1 989	1 989	8 918	9 783	10 275
Sport and recreation		1 847	605	-	-	-	-	-	-	-
Public safety		-	-	30	3 600	1 849	1 849	3 007	3 308	3 638
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		6 213	10 269	12 867	19 554	25 479	25 479	24 145	29 169	29 550
Planning and development		-	-	-	19 554	14 554	14 554	12 989	17 344	17 016
Road transport		6 213	10 269	12 867	-	10 925	10 925	11 156	11 825	12 535
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	1 303	1 471	1 471	1 642	1 740	1 845
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	1 303	1 471	1 471	1 642	1 740	1 845
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	28 310	37 841	39 097	53 703	48 850	48 850	63 341	71 271	74 324
Expenditure - Standard										
<i>Governance and administration</i>		19 186	16 648	16 978	25 877	15 887	15 887	25 635	27 977	30 543
Executive and council		4 005	8 217	2 159	7 938	7 663	7 663	9 499	10 449	11 494
Budget and treasury office		9 705	5 643	14 157	14 704	5 066	5 066	11 717	12 889	14 178
Corporate services		5 476	2 789	662	3 235	3 158	3 158	4 418	4 639	4 871
<i>Community and public safety</i>		690	3 140	2 620	7 410	7 127	7 127	11 925	11 793	12 605
Community and social services		690	3 140	2 620	5 956	5 740	5 740	8 918	9 783	10 275
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	1 454	1 387	1 387	3 007	2 010	2 331
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		3 775	8 781	14 039	8 629	14 211	14 211	13 115	16 416	17 074
Planning and development		690	1 249	10 287	8 629	14 211	14 211	3 155	3 471	3 818
Road transport		3 085	7 531	3 752	-	-	-	9 960	12 945	13 256
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	600	600	600	960	1 056	1 162
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	600	600	600	960	1 056	1 162
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	23 651	28 569	33 637	42 516	37 825	37 825	51 635	57 242	61 384
Surplus/(Deficit) for the year		4 659	9 272	5 460	11 187	11 025	11 025	11 707	14 028	12 939

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile “whole of government” reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

KZN273 The Big 5 False Bay - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		R thousand								
Revenue by Vote	1									
Vote 1 - Executive & Council		-	-	-	7 938	7 938	7 938	9 499	10 107	10 754
Vote 2 - Budget & Treasury Office		19 699	26 381	25 148	14 705	16 434	16 434	11 717	12 467	13 265
Vote 3 - Corporate Services		3	-	-	3 235	3 235	3 235	4 414	4 696	4 996
Vote 4 - Planning Services		6 213	10 269	12 867	19 554	14 554	14 554	24 145	29 169	29 550
Vote 5 - Community Servives		2 395	1 191	1 082	8 272	6 690	6 690	13 567	14 831	15 759
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	28 310	37 841	39 097	53 703	48 850	48 850	63 341	71 271	74 324
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive & Council		4 005	8 217	2 159	7 938	7 663	7 663	9 499	10 449	11 494
Vote 2 - Budget & Treasury Office		9 971	5 643	14 157	14 704	5 065	5 065	11 717	12 889	14 178
Vote 3 - Corporate Services		5 476	5 928	662	3 235	3 158	3 158	4 418	4 639	4 871
Vote 4 - Planning Services		3 509	8 782	14 039	8 629	14 211	14 211	13 115	16 416	17 074
Vote 5 - Community Servives		690	-	2 620	8 010	7 727	7 727	12 885	12 849	13 767
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	23 651	28 569	33 637	42 516	37 825	37 825	51 635	57 242	61 384
Surplus/(Deficit) for the year	2	4 659	9 272	5 460	11 187	11 025	11 025	11 707	14 028	12 939

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

KZN273 The Big 5 False Bay - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Revenue By Source											
Property rates	2	3 957	5 170	–	6 829	9 159	9 159	9 159	9 745	10 291	10 867
Property rates - penalties & collection charges		691	995	7 372							
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	1 237	1 020	–	1 303	1 472	1 472	1 472	1 566	1 653	1 746
Service charges - other				1 078							
Rental of facilities and equipment		149	130	79	100	100	100	100	106	112	120
Interest earned - external investments		192	178	178	200	100	100	100	–	–	–
Interest earned - outstanding debtors					700	700	700	700	739	787	837
Dividends received											
Fines		29	31	30	3 600	1 850	1 850	1 850	4 000	4 256	4 528
Licences and permits											
Agency services											
Transfers recognised - operational		21 202	29 746	30 163	25 645	20 645	20 645	20 645	33 874	42 521	44 254
Other revenue	2	45	571	198	200	100	100	100	156	165	174
Gains on disposal of PPE		807		–	4 200	3 800	3 800	3 800	2 000		
Total Revenue (excluding capital transfers and contributions)		28 310	37 841	39 097	42 778	37 925	37 925	37 925	52 185	59 785	62 526
Expenditure By Type											
Employee related costs	2	6 735	9 190	9 814	14 333	13 799	13 799	13 799	16 715	17 784	18 923
Remuneration of councillors		1 373	1 430	1 416	1 646	1 658	1 658	1 658	1 760	1 873	1 992
Debt impairment	3		102	2 249	3 500	3 500	3 500	3 500	2 000	1 800	1 800
Depreciation & asset impairment	2	1 803	2 418	3 231	3 000	3 000	3 000	3 000	2 000	4 000	4 500
Finance charges		103	110	405	300	111	111	111	150	150	100
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8	170	271		1 350	1 050	1 050	1 050	3 700	5 000	6 000
Contracted services		790	808	903	11 272	6 542	6 542	6 542	14 991	15 690	16 459
Transfers and grants		2 831	4 763	4 375	–	–	–	–	180	198	218
Other expenditure	4, 5	9 845	9 479	11 245	7 115	8 165	8 165	8 165	10 139	10 747	11 392
Loss on disposal of PPE											
Total Expenditure		23 651	28 569	33 637	42 516	37 825	37 825	37 825	51 635	57 242	61 384
Surplus/(Deficit)		4 659	9 272	5 460	262	100	100	100	551	2 542	1 141
Transfers recognised - capital					10 925	10 925	10 925	10 925	11 156	11 486	11 798
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		4 659	9 272	5 460	11 187	11 025	11 025	11 025	11 707	14 028	12 939
Taxation											
Surplus/(Deficit) after taxation		4 659	9 272	5 460	11 187	11 025	11 025	11 025	11 707	14 028	12 939
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		4 659	9 272	5 460	11 187	11 025	11 025	11 025	11 707	14 028	12 939
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		4 659	9 272	5 460	11 187	11 025	11 025	11 025	11 707	14 028	12 939

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total operational revenue is R52.185 million in 2014/15 and escalates to R59,785 million by 2015/16.
2. Revenue to be generated from property rates is R9,745 million in the 2014/15 financial year and increases to R10.291 million by 2015/16 which represents 19 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality.
3. Services charges relating to refuse removal constitutes the component of the revenue basket of the municipality totaling R1,566 million for the 2014/15 financial year and increasing to R1,653 million by 2015/16. The 2014/15 financial year services charges amount to 3 per cent of the total revenue base.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.
5. Employee related costs is the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage.

KZN273 The Big 5 False Bay - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury Office		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Planning Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	100	-	-
Vote 2 - Budget & Treasury Office		-	-	-	-	-	-	-	50	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	50	-	-
Vote 4 - Planning Services		7 343	15 384	-	10 925	10 925	10 925	10 925	11 256	11 486	11 798
Vote 5 - Community Services		-	-	-	-	-	-	-	100	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		7 343	15 384	-	10 925	10 925	10 925	10 925	11 556	11 486	11 798
Total Capital Expenditure - Vote		7 343	15 384	-	10 925	10 925	10 925	10 925	11 556	11 486	11 798
Capital Expenditure - Standard											
<i>Governance and administration</i>		-	-	-	70	70	70	70	150	-	-
Executive and council									50		
Budget and treasury office					70	70	70	70	50		
Corporate services									50		
<i>Community and public safety</i>		-	150	-	-	-	-	-	50	-	-
Community and social services									50		
Sport and recreation			150								
Public safety											
Housing											
Health											
<i>Economic and environmental services</i>		7 343	15 234	-	10 925	10 925	10 925	10 925	11 256	11 486	11 798
Planning and development									100		
Road transport		7 343	15 234		10 925	10 925	10 925	10 925	11 156	11 486	11 798
Environmental protection											
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-
Electricity											
Water											
Waste water management											
Waste management											
<i>Other</i>											
Total Capital Expenditure - Standard	3	7 343	15 384	-	10 995	10 995	10 995	10 995	11 456	11 486	11 798
Funded by:											
National Government		7 343	15 234		10 925	10 925	10 925	10 925	11 156	11 486	11 798
Provincial Government			150								
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	7 343	15 384	-	10 925	10 925	10 925	10 925	11 156	11 486	11 798
Public contributions & donations	5										
Borrowing	6										
Internally generated funds									400		
Total Capital Funding	7	7 343	15 384	-	10 925	10 925	10 925	10 925	11 556	11 486	11 798

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R11,556 million for the 2014/15 financial year and remains relatively constant over the MTREF at levels of R11,486 million and R11,798 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

KZN273 The Big 5 False Bay - Table A6 Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
Current assets											
Cash		1 251	407	593	1 531	888	888	888	2 116	8 039	13 032
Call investment deposits	1	675	982	–	885	885	885	885	–	–	–
Consumer debtors	1	3 785	6 749	–	5 800	7 024	7 024	7 024	5 582	3 882	2 182
Other debtors		1 083	1 792	1 730	1 154	1 154	1 154	1 154	980	950	900
Current portion of long-term receivables											
Inventory	2										
Total current assets		6 794	9 930	2 323	9 370	9 951	9 951	9 951	8 678	12 871	16 114
Non current assets											
Long-term receivables											
Investments											
Investment property											
Investment in Associate											
Property, plant and equipment	3	47 657	94 741	100 677	102 666	108 775	108 775	108 775	116 873	124 359	131 657
Agricultural											
Biological											
Intangible		315	314	173	257	173	173	173	168	156	145
Other non-current assets											
Total non current assets		47 972	95 054	100 851	102 922	108 948	108 948	108 948	117 041	124 515	131 802
TOTAL ASSETS		54 765	104 984	103 173	112 293	118 898	118 898	118 898	125 719	137 386	147 916
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	–	–	435	–	–	–	–	400	350	–
Consumer deposits		1 750	1 418								
Trade and other payables	4	10 196	10 272	11 346	4 806	11 346	11 346	11 346	4 000	4 000	4 000
Provisions				371	2 309	371	371	371			
Total current liabilities		11 946	11 690	12 152	7 115	11 717	11 717	11 717	4 400	4 350	4 000
Non current liabilities											
Borrowing		–	–	792	–	792	792	792	650	–	–
Provisions		–	–	3 996	2 283	3 996	3 996	3 996	4 200	4 300	4 400
Total non current liabilities		–	–	4 788	2 283	4 788	4 788	4 788	4 850	4 300	4 400
TOTAL LIABILITIES		11 946	11 690	16 940	9 398	16 504	16 504	16 504	9 250	8 650	8 400
NET ASSETS	5	42 819	93 294	86 234	102 895	102 394	102 394	102 394	116 469	128 736	139 516
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		42 819	93 294	86 234	102 895	102 394	102 394	102 394	116 469	128 736	139 516
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	42 819	93 294	86 234	102 895	102 394	102 394	102 394	116 469	128 736	139 516

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

KZN273 The Big 5 False Bay - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		6 985	6 709	5 664	8 940	13 725	13 725	13 725	12 519	16 022	14 029
Government - operating	1	14 989	18 515	10 167	25 645	20 645	20 645	20 645	33 874	42 521	44 254
Government - capital	1	6 213	10 269	19 996	10 925	10 925	10 925	10 925	11 156	11 486	11 798
Interest		192	178	178	200	60	60	60	-	-	-
Dividends											
Payments											
Suppliers and employees		(21 524)	(25 557)	(23 358)	(36 992)	(34 015)	(34 015)	(34 015)	(47 335)	(51 094)	(54 766)
Finance charges		(103)	(110)	(405)	(300)	(227)	(227)	(227)	(150)	(150)	(100)
Transfers and Grants	1								(180)	(198)	(218)
NET CASH FROM/(USED) OPERATING ACTIVITIES		6 752	10 003	12 243	8 418	11 113	11 113	11 113	9 884	18 587	14 997
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE					4 200				2 300		
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets		(8 890)	(8 308)	(10 767)	(10 995)	(9 703)	(9 703)	(9 703)	(11 556)	(11 486)	(11 798)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(8 890)	(8 308)	(10 767)	(6 795)	(9 703)	(9 703)	(9 703)	(9 256)	(11 486)	(11 798)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing				1 227							
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing		(36)	(2 233)	(3 499)		(530)	(530)	(530)	(500)	(500)	(500)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(36)	(2 233)	(2 272)	-	(530)	(530)	(530)	(500)	(500)	(500)
NET INCREASE/ (DECREASE) IN CASH HELD		(2 174)		(796)	1 623	880	880	880	128	6 601	2 699
Cash/cash equivalents at the year begin:	2	4 099	1 925	1 389	682	593	593	593	1 473	1 601	8 202
Cash/cash equivalents at the year end:	2	1 925	1 389	593	2 305	1 473	1 473	1 473	1 601	8 202	10 901

KZN273 The Big 5 False Bay - Table A8 Cash backed reserves/accumulated surplus reconciliation

Current Year 2013/14									2014/15 Medium Term Revenue & Expenditure Framework		
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available											
Cash/cash equivalents at the year end	1	1 925	1 389	593	2 305	1 473	1 473	1 473	1 601	8 202	10 901
Other current investments > 90 days		1	1	0	111	300	300	300	515	(163)	2 131
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		1 926	1 389	593	2 416	1 773	1 773	1 773	2 116	8 039	13 032
Application of cash and investments											
Unspent conditional transfers		1 803	2 536	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	2 827	498	10 227	(77)	2 958	2 958	2 958	(1 036)	(484)	1 634
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5								1 000	1 000	1 000
Total Application of cash and investments:		4 630	3 034	10 227	(77)	2 958	2 958	2 958	(36)	516	2 634
Surplus(shortfall)		(2 704)	(1 645)	(9 634)	2 493	(1 184)	(1 184)	(1 184)	2 152	7 523	10 398

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality increases significantly over the 2013/14 to 2014/15 period owing directly to a net increase in cash.
4. The approved 2014/15 MTREF provide for a further net increase in cash of R643 hundred for the 2014/15 financial year resulting in an overall projected positive cash position
5. The 2014/15 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R1.601 million as at the end of the 2014/15 financial year

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted adjusted 2013/14 MTREF was not funded owing to the significant deficit.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

KZN273 The Big 5 False Bay - Table A9 Asset Management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	7 343	15 384	–	10 995	10 925	10 925	6 694	7 292	7 079
Infrastructure - Road transport		7 343	15 384	–	10 925	10 925	10 925	–	6 892	7 079
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	6 694	–	–
Infrastructure		7 343	15 384	–	10 925	10 925	10 925	6 694	6 892	7 079
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	70	–	–	–	400	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
<u>Total Renewal of Existing Assets</u>	2	–	–	–	–	–	–	4 862	4 194	4 719
Infrastructure - Road transport		–	–	–	–	–	–	4 862	4 194	4 719
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	4 862	4 194	4 719
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	–	–	–	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
<u>Total Capital Expenditure</u>	4	–	–	–	–	–	–	–	–	–
Infrastructure - Road transport		7 343	15 384	–	10 925	10 925	10 925	4 862	11 086	11 798
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	6 694	–	–
Infrastructure		7 343	15 384	–	10 925	10 925	10 925	11 556	11 086	11 798
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		–	–	–	70	–	–	–	400	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	7 343	15 384	–	10 995	10 925	10 925	11 556	11 486	11 798
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	6 359	20 431	21 806	29 488	29 488	29 488	28 500	29 350	3 100
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		26 501	63 968	78 871	63 968	70 077	70 077	77 728	83 560	117 207
Infrastructure		32 859	84 398	100 677	93 456	99 565	99 565	106 228	112 910	120 307
Community		6	5	–	4	4	4	1 039	1 909	1 850
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		14 791	10 337	–	9 206	9 206	9 206	9 606	9 540	9 500
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		315	314	173	257	173	173	168	156	145
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	47 972	95 054	100 851	102 922	108 948	108 948	117 041	124 515	131 802
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>	3	1 803	2 418	3 231	3 000	3 000	3 000	2 000	4 000	4 500
<u>Repairs and Maintenance by Asset Class</u>		–	–	–	1 350	1 350	1 350	3 700	5 000	6 000
Infrastructure - Road transport		–	–	–	300	300	300	600	800	1 000
Infrastructure - Electricity		–	–	–	150	150	150	500	900	1 000
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	250	250	250	550	650	850
Infrastructure		–	–	–	700	700	700	1 650	2 350	2 850
Community		–	–	–	300	300	300	650	850	1 170
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	–	–	–	350	350	350	1 400	1 800	1 980
TOTAL EXPENDITURE OTHER ITEMS		1 803	2 418	3 231	4 350	4 350	4 350	5 700	9 000	10 500

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality's strategy to address the maintenance backlog.

KZN273 The Big 5 False Bay - Table A10 Basic service delivery measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets	1									
<u>Water:</u>										
Piped water inside dwelling										
Piped water inside yard (but not in dwelling)										
Using public tap (at least min.service level)	2									
Other water supply (at least min.service level)	4									
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)										
Flush toilet (with septic tank)										
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
<u>Energy:</u>										
Electricity (at least min.service level)										
Electricity - prepaid (min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
<u>Refuse:</u>										
Removed at least once a week		384	384	-	410	410	410	410	410	410
<i>Minimum Service Level and Above sub-total</i>		384	384	-	410	410	410	410	410	410
Removed less frequently than once a week										
Using communal refuse dump		13	13	-	13	13	13	13	13	13
Using own refuse dump		9	9	-	9	9	9	9	9	9
Other rubbish disposal										
No rubbish disposal										
<i>Below Minimum Service Level sub-total</i>		22	22	-	22	22	22	22	22	22
Total number of households	5	406	406	-	432	432	432	432	432	432
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)										
Sanitation (free minimum level service)										
Electricity/other energy (50kwh per household per month)										
Refuse (removed at least once a week)		102	102	-	102	102	102	102	102	102
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)										
Sanitation (free sanitation service)										
Electricity/other energy (50kwh per household per month)										
Refuse (removed once a week)		110	122	-	148	148	148	148	148	148
Total cost of FBS provided (minimum social package)		110	122	-	148	148	148	148	148	148
Highest level of free service provided										
Property rates (R value threshold)		60 000	60 000	-	60 000	60 000	60 000	60 000	60 000	60 000
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)		148	155	-	172	172	172	172	172	172
Property rates (other exemptions, reductions and rebates)		590	621	-	688	688	688	688	688	688
Water										
Sanitation										
Electricity/other energy										
Refuse										
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)	6	738	777	-	860	860	860	860	860	860

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. It is anticipated that these Free Basic Services will cost the municipality R860 thousands in 2014/15 with no anticipated increases in the outer years. This is covered by the municipality's equitable share allocation from national government.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 31 August 2013. Key dates applicable to the process were:

- **August 2013** – Joint strategic planning session of the Mayor and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2014/15 MTREF;
- **November 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2013** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2014** – Multi-year budget proposals are submitted to the Mayor for endorsement;

- **25 January 2014** - Council considers the 2013/14 Mid-year Review and Adjustments Budget;
- **February 2014**- Recommendations of the Mayor are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2014/15 MTREF is revised accordingly;
- **28 March 2014** - Tabling in Council of the draft 2014/15 IDP and 2014/15 MTREF for public consultation;
- **April 2014** – Public consultation;
- **May 2014** - Closing date for written comments;
- **21 May 2014** – finalisation of the 2014/15 IDP and 2014/15 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **28 May 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the second review of the IDP as adopted by Council in May 2013. It started in September 2013 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the first revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid- year and third quarter performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2014/15 MTREF as tabled before Council on 27 March 2014 for community consultation will be published on the municipality's website, and hard copies will be made available at, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process from 1 April 2014

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and where relevant considered as part of the finalisation of the 2014/15 MTREF. Feedback and responses to the submissions received will be available on request.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development

planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

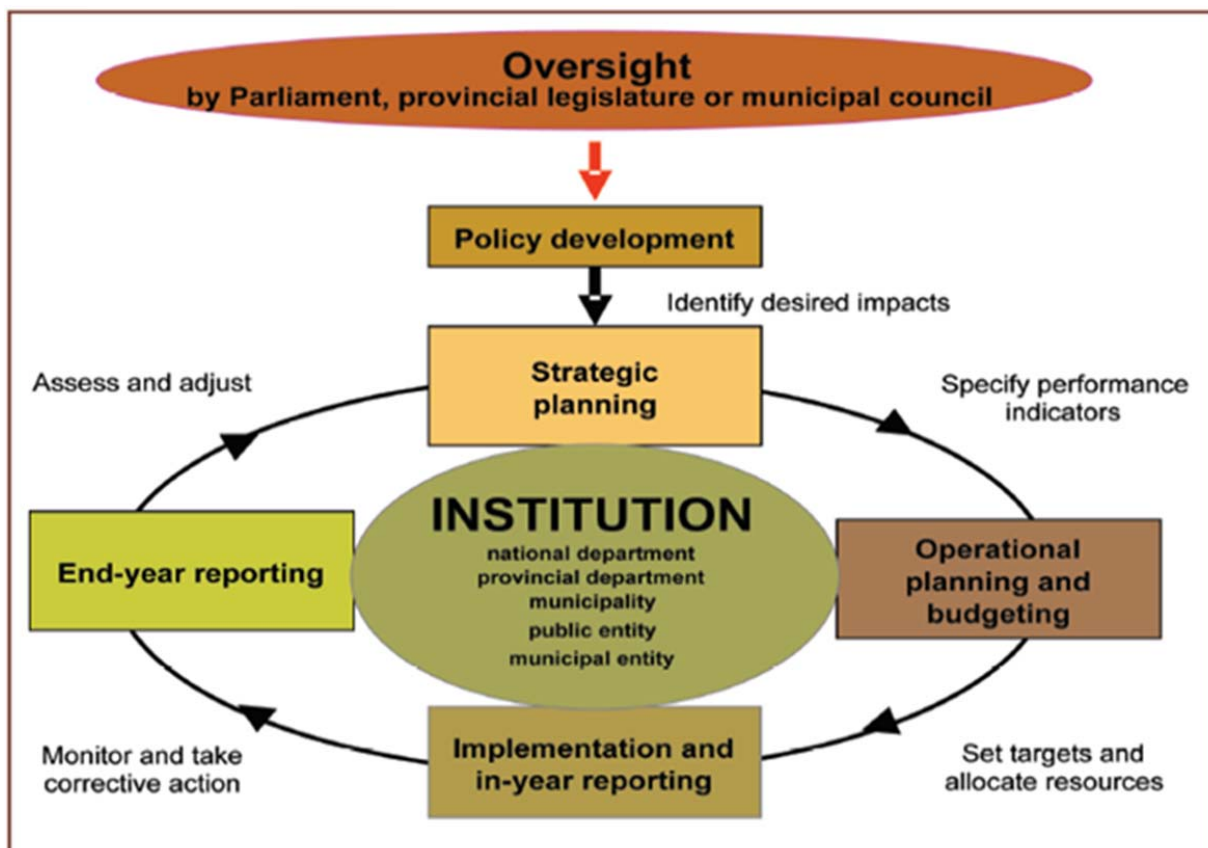


Figure 5 Planning, budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

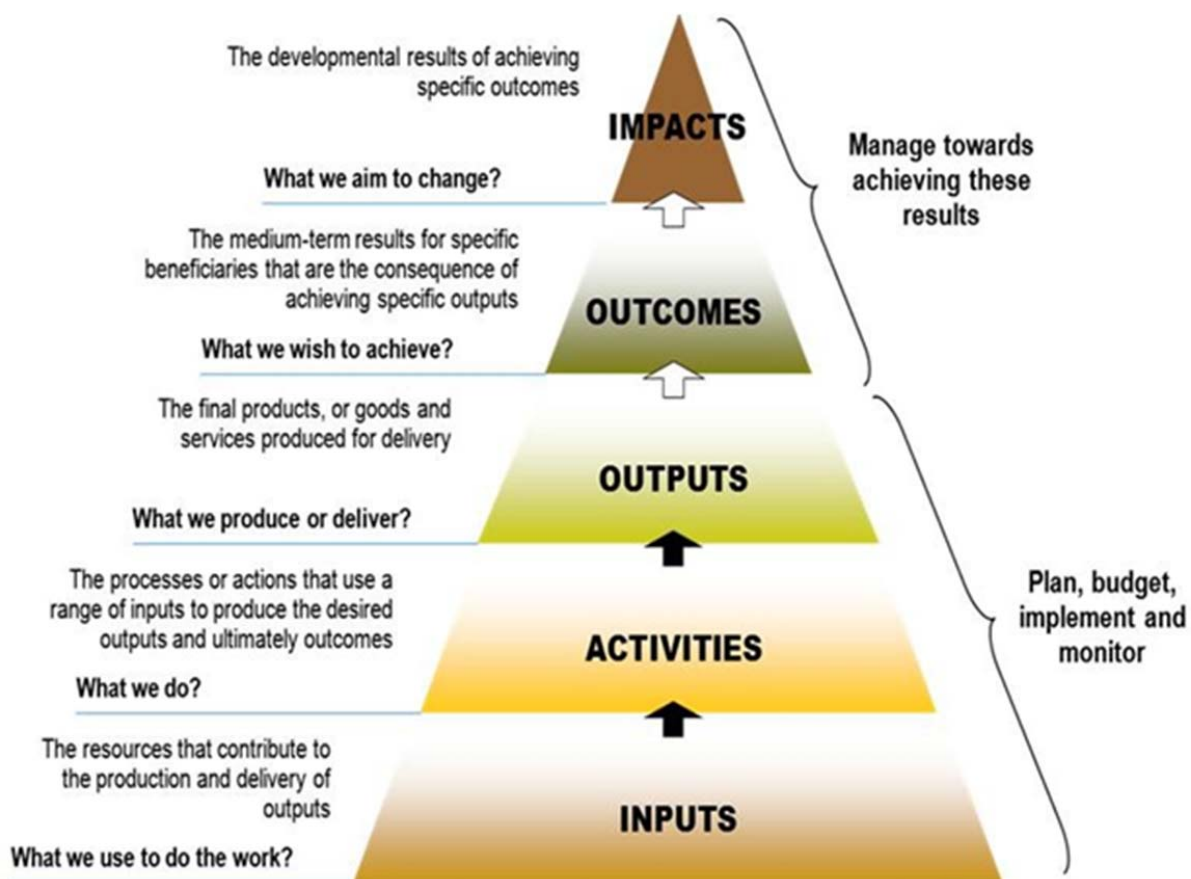


Figure 6 Definition of performance information concepts

The following table sets out the municipalities main performance objectives and benchmarks for the 2011/12 MTREF

KZN273 The Big 5 False Bay - Supporting Table SA8 Performance indicators and benchmarks

KZN's The Big Spouse Day – Supporting Table 5: Performance indicators and benchmarks											
Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.6%	8.2%	11.6%	0.7%	1.7%	1.7%	1.7%	1.3%	1.2%	1.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2.0%	28.9%	43.7%	1.8%	3.7%	3.7%	3.7%	3.7%	3.7%	3.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	0.6	0.8	0.2	1.3	0.8	0.8	0.8	1.4	2.5	3.7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.6	0.8	0.2	1.3	0.8	0.8	0.8	1.4	2.5	3.7
Liquidity Ratio	Monetary Assets/Current Liabilities	0.2	0.1	0.0	0.3	0.2	0.2	0.2	0.5	1.8	3.3
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		114.3%	84.7%	64.7%	70.2%	102.6%	102.6%	102.6%	77.1%	72.9%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		114.3%	84.7%	64.7%	70.2%	102.6%	102.6%	102.6%	77.1%	72.9%	72.8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	17.2%	22.6%	4.4%	16.3%	21.6%	21.6%	21.6%	8.3%	4.9%	2.5%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		435.9%	557.1%	1913.7%	208.5%	770.3%	770.3%	770.3%	189.0%	66.2%	44.3%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	23.8%	24.3%	25.1%	33.5%	36.4%	36.4%	36.4%	33.3%	30.4%	30.9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	27.9%	0.0%	0.0%	37.4%	40.8%	40.8%		36.7%	33.5%	34.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	3.2%	3.6%	3.6%		7.8%	8.4%	9.6%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	6.7%	6.7%	9.3%	7.7%	8.2%	8.2%	8.2%	7.1%	6.9%	7.3%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	2.9	2.2	44.7	29.0	29.0	29.0	28.5	28.6	28.1	29.7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	80.7%	116.8%	20.3%	84.5%	76.2%	76.2%	76.2%	37.1%	22.4%	11.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.5	0.9	0.4	0.8	0.6	0.6	0.6	0.6	1.7	2.5

2.4 Overview of budget policies

- **Tariff Policy** – the policy prescribes the procedures for calculating tariffs. This policy is required in terms of Section 74 of the Local Government Municipal System Act, Act 32 of 2000; **Status: Adopted**
- **Rates Policy** – a policy required by the Municipal Property Rates Act, Act 6 of 2004. This policy provides the framework for the determination of rates; this has been implemented with the Municipal Property Rates Act with effect from 1 July 2009. Policy has to be reviewed annually when the draft budget is submitted. **Status: Adopted**
- **Indigent Support Policy** – The criterion for benefits under this scheme is part of the credit control policy. An indigent is kept up to date in a form of a monthly register and a separate indigent policy has been developed in line with this. The survey forms to qualify for the indigent support must be completed annually. The Municipality may annually as part of its budgetary process, determine the municipal services and levels thereof which will be subsidized in respect of indigent customers in accordance with the national policy but subject to principles of sustainability and affordability. An indigent customer shall automatically be deregistered if an audit or verification concludes that the financial circumstances of the indigent customer have changed to the extent that he/she no longer chances the qualifications. The indigent customer may at any time request deregistration. **Status: Adopted**
- **Budget Policy** – The annual budget is the central financial planning document that entails all revenue and expenditure decisions. It establishes the level of services to be provided by each department. The accounting officer confirms the municipal's priorities in the formulation of the draft and the final budget document proposal. A budget, as per S71 of the MFMA, is subject to monthly control and be reported to Council with recommendations of action to be taken to achieve the budget's goals. The budget is also subject to a mid-term review which might result in a revised budget, thereby resulting in the adjustments budget, which is in terms of S28 of the MFMA. Unfinished capital project budgets shall not be carried forward to future fiscal years unless the project expenditure is committed or funded from grant funding, which will require the rolling over of those funds together with the project. This policy set out the principles which must be followed in preparing a Medium-Term Revenue and Expenditure Framework Budget. It further ensures that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies. **Status: Adopted**
- **Asset Management Policy** – the objective of the policy is to prescribe the accounting and administrative procedures relating to property, plant and equipment; **Status: Adopted**
- **Accounting Policy** – the policy prescribes the basis of presentation of the Annual Financial Statements in accordance with the Generally Recognized Accounting Practices and Accounting Standards; **Status: Adopted**
- **Supply Chain Management Policy** – this policy is developed in terms of Section 11 of the Municipal Finance Management Act, Act 56 of 2003. The principles of this policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of municipal services **Status: Adopted**

- **Subsistence and Travel Policy** – this policy regulates the reimbursement of travelling and subsistence cost to officials and councillors attending official business **Status: Adopted**
- **Credit Control and Debt Collection Policy** – this policy provides for credit and debt collection procedures and mechanisms to ensure that all consumers pay for the services that are supplied. **Status: Adopted**
- **Investment Policy** – this policy was compiled in accordance with the Municipal Investment Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible **Status: Adopted**
- **Short-term Insurance Policy** – the objective of the policy is to ensure the safeguarding of Council's assets **Status: Adopted**
- **Principles and Policy on Borrowings**– The purpose of this policy is to ensure that borrowing forms part of the financial management procedures of the Municipality and to ensure that prudent borrowing procedures are applied consistently. **Status: Adopted**

2.5 Overview of budget assumptions

2.5.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2015.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration.

2.5.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (73 per cent) of annual billings. Cash flow is assumed to be 73 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.4 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing "households" is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the "poor household" limits consumption to the level of free basic services.

2.5.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

2.6 Councillor and employee benefits

KZN273 The Big 5 False Bay - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		1 050			974	974	974	1 192	1 268	1 349
Pension and UIF Contributions		50			172	172	172	-	-	-
Medical Aid Contributions					-	-	-	-	-	-
Motor Vehicle Allowance		60			382	382	382	397	423	450
Cellphone Allowance		50			93	105	105	155	165	175
Housing Allowances								-	-	-
Other benefits and allowances					26	26	26	16	17	18
Sub Total - Councillors		1 210	-	-	1 646	1 658	1 658	1 760	1 873	1 992
% increase	4		(100.0%)	-	-	0.7%	-	6.2%	6.4%	6.4%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1 974			3 610	3 119	3 119	4 207	4 476	4 762
Pension and UIF Contributions								9	9	10
Medical Aid Contributions								-	-	-
Overtime								-	-	-
Performance Bonus		134			505	0	-	-	-	-
Motor Vehicle Allowance	3	477						-	-	-
Cellphone Allowance	3							-	-	-
Housing Allowances	3							-	-	-
Other benefits and allowances	3				50	50	50	46	49	52
Payments in lieu of leave								-	-	-
Long service awards								-	-	-
Post-retirement benefit obligations	6							-	-	-
Sub Total - Senior Managers of Municipality		2 584	-	-	4 165	3 169	3 169	4 262	4 534	4 825
% increase	4		(100.0%)	-	-	(23.9%)	(0.0%)	34.5%	6.4%	6.4%
Other Municipal Staff										
Basic Salaries and Wages		2 827			7 794	8 355	8 355	10 158	10 808	11 500
Pension and UIF Contributions		556			1 261	1 261	1 261	1 526	1 623	1 727
Medical Aid Contributions					688	688	688	567	603	642
Overtime		351			233	133	133	8	8	9
Performance Bonus					-	-	-	-	-	-
Motor Vehicle Allowance	3							44	47	50
Cellphone Allowance	3							-	-	-
Housing Allowances	3				14	14	14	-	-	-
Other benefits and allowances	3	358			176	176	176	151	160	171
Payments in lieu of leave								-	-	-
Long service awards								-	-	-
Post-retirement benefit obligations	6							-	-	-
Sub Total - Other Municipal Staff		4 091	-	-	10 168	10 629	10 629	12 453	13 250	14 098
% increase	4		(100.0%)	-	-	4.5%	-	17.2%	6.4%	6.4%
Total Parent Municipality		7 885	-	-	15 979	15 456	15 455	18 475	19 657	20 915
			(100.0%)	-	-	(3.3%)	(0.0%)	19.5%	6.4%	6.4%

2.7 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In-year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the municipality's website.

2. Internship programme

The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 directly aligned.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the municipality's internal centre and training is ongoing.

8. Policies

Budget related policies has been reviewed and tabled to council for approval.

2.8 Municipal manager's quality certificate

I Abion Mfanomncane Dhlomo municipal manager of The Big 5 false Bay Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Name:.....

Municipal manager of The Big 5 False Bay Municipality (KZN273)

Signature _____

Date